

September 12, 2002

To the Honorable Chairman
of the Board of Supervisors
of the County of Milwaukee

Milwaukee County formally adopted a strategic planning document, **Charting the Course Milwaukee County's Goals, Strategies, Action 2000-2004** in September 1999 (File No. 99-494). With the adoption of **Charting the Course**, the Department of Audit was directed to audit, on an annual basis, a County-wide Performance Report compiled by the Department of Administration. This is the first audit report prepared in compliance with the annual reporting requirement contained in **Charting the Course**.

In general, we were impressed with the cumulative effort displayed in the compilation of Milwaukee County's first annual Performance Report. We did note the greatest opportunity for improving on this initial effort lies in the linkage between specific indicators and the department outcomes they are intended to measure.

If it is the desire of the County Board and County Executive to fulfill the County's commitment to strategic planning and managing for results as outlined in **Charting the Course**, a re-commitment of effort on the part of policy makers and administrators is necessary. We have made specific recommendations designed to rejuvenate momentum for implementation of **Charting the Course**, if that is the desired outcome.

Alternatively, County policy makers should make a conscious decision to discontinue the commitment of any additional resources to a system they are unable or unwilling to sustain.

We would like to thank department managers and staff who assisted us in this review. Please refer this report to the Committee on Finance and Audit.

Jerome J. Heer
Director of Audits

JJH/cah

cc: Milwaukee County Board of Supervisors
Scott Walker, County Executive
Linda Seemeyer, Director, Department of Administration
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An Audit of Milwaukee County's Annual Performance Report

September 2002

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An Audit of Milwaukee County’s Annual Performance Report

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Summary

Milwaukee County formally adopted a strategic planning document, ***Charting the Course Milwaukee County's Goals, Strategies, Action 2000—2004*** in September 1999 [File No. 99-494]. The County's Mission Statement, Vision Statement and Guiding Principles, as articulated in the document, appear as **Exhibit 2**. With the adoption of ***Charting the Course***, the Department of Audit was directed to annually audit a County-wide Performance Report compiled by the Department of Administration. The annual Performance Report is a compilation of each department's mission statements, desired outcomes and performance measures identified to monitor progress towards achieving desired outcomes. This is the first audit report prepared in compliance with the annual reporting requirement contained in ***Charting the Course***.

Audit Approach

To provide a basis for evaluating the County's overall progress in establishing a meaningful Performance Report, we developed a two-tiered audit approach. The first tier involved the selection of a manageable number of departments for which a detailed review was completed. The second tier involved performing a more limited desk review of 16 other departments/divisions' performance reports. This analysis was performed to develop a general sense of the progress made by the County as a whole in terms of developing a meaningful Performance Report.

Detailed Review

Based on criteria including size, functional area and complexity of mission, we selected a judgement sample of five departments for detailed review. The five departments selected were the Department on Aging, Corporation Counsel, the Parks Department, the Highway Division of the Department of Public Works and the Sheriff's Department. We assessed each department's performance reports using the following key concepts:

- linkage of departmental statements of purpose (missions) to those of the County as a whole;
- connectivity of information gathered to measure success (indicators) to the desired benefits to customers (outcomes) of the department (i.e., do the indicators measure progress towards the desired outcomes?); and
- reliability and accuracy of the data collected to measure results.

The selected departments' performance reports fared very well, in our view. While we would characterize these five departmental performance reports in general as a good start, we did note the greatest opportunity for improving on this initial effort lies in the linkage between specific indicators and the outcomes they are intended to measure.

For instance, we noted that in some instances, indicators were measuring inputs rather than desired outcomes. Another type of problem identified in our review was a different type of linkage problem between the desired outcome and the indicator. In some instances, measurement of the stated indicator did not appear to have a direct bearing on the outcome. That is, attainment or non-attainment of the target would not influence achievement of the outcome. Further, we found that some data collected for measurement purposes involved subjective judgements of one or more individuals, calling into question the reliability and comparability of the data over time.

Desk Review

In general our desk review indicates that County departments have done a good job of establishing meaningful mission statements that are compatible with Milwaukee County Government's overall mission/vision statements. Further, departments have done a good job in their initial efforts to identify desired outcomes that they can influence in a meaningful way, and whose measurement can be used to identify program success and to pinpoint problems.

Departments appear to have had more difficulty identifying indicators that truly measure the desired outcomes. Our limited review indicates about one-fifth (21%) of the indicators identified in department performance reports may not truly measure performance in achieving the desired outcome. This lack of linkage between outcomes and indicators is not unexpected in the initial stages of implementing a performance-based budgeting strategy and can be improved with ongoing training and accumulated experience of staff, as well as continued commitment from County policy makers.

Conclusions

In general, we were impressed with the cumulative effort displayed in the compilation of Milwaukee County's first annual Performance Report. However, the schedule of implementation contained in ***Charting the Course*** called for linking budget allocation decisions to performance beginning with the 2004 budget cycle. Less than one year away from 2004 budget preparations, performance-based budgeting appears to have all but fallen off the agenda for most of the departments we interviewed.

The operational impact of significant changes in both political and administrative leadership resulting from the pension controversy, coupled with extreme fiscal pressures from a variety of sources, have virtually stalled efforts to continue the evolutionary implementation of the strategic planning initiative that was in 'full swing' at year-end 2001.

An essential component of the County's strategic planning initiative is the ongoing process of self-assessment, adjustment, and free-flowing communication of organizational missions and outcomes at all levels throughout the organization. This was stressed throughout the County-wide training sessions held in 2002. While the ultimate goal of **Charting the Course** is the development of a framework that permits the establishment of priorities and budget allocation decisions to be based on performance and results, it is clear that we are far from that point today.

If it is the desire of the County Board and County Executive to fulfill the County's commitment to strategic planning and managing for results as outlined in **Charting the Course**, a re-commitment of effort on the part of policy makers and administrators is necessary. We have made specific recommendations designed to rejuvenate momentum for implementation of **Charting the Course**, if that is the desired outcome.

Alternatively, County policy makers should make a conscious decision to discontinue the commitment of any additional resources to a system they are unable or unwilling to sustain.

Milwaukee County departments' mission statements, outcomes and indicators are available on-line at www.milwaukeecounty.org, included as part of the overall County budget document. Please choose *Budget – Publication of the 2002 Recommended Document* from the index and then choose the department you wish to review. This audit report also is available on-line at www.milwaukeecounty.org under *Directory, Audit Reports—2002*.

Due to the County-wide scope of this report and the contingent nature of recommendations based on policy decisions, there is no written management response attached. A draft version of this report was shared with departments included in our detailed review and their comments have been incorporated in this final report.

Background

As noted in Milwaukee County's formally adopted strategic planning document, ***Charting the Course Milwaukee County's Goals, Strategies, Action 2000—2004***, the County began a new direction with a strategic simulation in November 1997. This was the first step in Milwaukee County's commitment to strategic planning and managing for results. In 1998, a Long-Range Strategic Plan Steering Committee was formed to formalize this commitment to planning for results. The Steering Committee drafted a ***Mission, Vision, Guiding Principles and Priority Outcomes*** document in 1999, which created the foundation for ***Charting the Course***, adopted by the County Board later that year [File No. 99-494]. The County's Mission Statement, Vision Statement and Guiding Principles, as articulated in ***Charting the Course***, appear as **Exhibit 2**.

With the adoption of ***Charting the Course***, the Department of Audit was directed to annually audit a County-wide Performance Report compiled by the Department of Administration. The annual Performance Report is a compilation of each department's mission statements, desired outcomes and performance measures identified to monitor progress towards achieving desired outcomes. The annual Performance Report and subsequent annual audit were action steps designed to achieve the stated goal of measuring performance and results to achieve priority outcomes. This is the first audit report prepared in compliance with the annual reporting requirement contained in ***Charting the Course***.

Implementation of Milwaukee County's Strategic Planning Initiative

With the adoption of ***Charting the Course*** in September 1999, Milwaukee County embarked on an ambitious schedule to implement its strategic planning initiative. The schedule included training of staff and policy makers in the concepts of strategic thinking, performance measurement and managing for results during 2000. Department performance measures were developed and included in the 2001 Adopted Budget, with the ultimate goal of linking budget allocation decisions with performance, rather than function, slated for the 2004 budget.

In its February 2002 issue, *Governing Magazine* graded 40 counties in several categories. Milwaukee County was awarded a grade of 'B' in *Managing for Results*. Only six counties received higher grades from the magazine for this category.

Audit Approach

To provide a basis for evaluating the County's overall progress in establishing a meaningful Performance Report, we developed a two-tiered audit approach. The first tier involved the selection of a manageable number of departments for which a detailed review was completed. This included a review of the departmental mission statements, desired outcomes and indicators used to measure progress towards achievement of outcomes. We interviewed departmental staff to gain an understanding of the process used to develop each of these elements, as well as to obtain clarification regarding the relevance of, and underlying logic for, each element. A total of 51 departments/divisions submitted individual Performance Reports, in a format designated by DOA, for compilation into the County-wide Performance Report submitted to the County Executive and County Board by DOA in May 2002. As noted in DOA's report, all County departments submitted an annual performance report with the exceptions of the former County Executive's Office and the Disadvantaged Business Development division of DOA. Based on criteria including size, functional area and complexity of mission, we selected the following judgement sample of five departments for detailed review.

- Department on Aging
- Corporation Counsel
- Parks Department
- Department of Public Works – Highway Division
- Sheriff's Department

The second tier involved performing a more limited desk review of 16 other departments/divisions' performance reports. This analysis was performed to develop a general sense of the progress made by the County as a whole in terms of developing a meaningful Performance Report.

Section 1: Review of Departments' Performance Reports

We selected five departments for detailed review from the 51 that comprised the County's Performance Report as compiled by the Department of Administration in May 2002. The five departments selected were the Department on Aging, Corporation Counsel, the Parks Department, the Highway Division of the Department of Public Works and the Sheriff's Department. To help us assess the elements of these departments' performance reports in a uniform and structured fashion, we modified a template developed by DeKalb County, Georgia. DeKalb County has administered a performance measurement model, similar to that included as part of Milwaukee County's strategic planning initiative, for several years.

There were six key components established by DOA as a format for County departments' annual performance reports.

There were six key components established by the Department of Administration (DOA) as a format for County departments' annual performance reports. They were:

1. *Mission Statement.* This is an enduring statement of purpose, the organization's reason for existence.
2. *Outcomes.* The benefits for customers during or after their involvement with a service. Outcomes include new knowledge, values, behaviors, conditions or skills.
3. *Indicators.* The specific items of information that track a program's or service's success. They are identifiable, observable and measurable characteristics or changes that represent the achievement of desired outcomes or goals.
4. *Learning Targets.* These are the specific goals established as a means of measuring the degree of success in attaining desired outcomes. Milwaukee County intentionally included the word 'learning' in this component of the performance reports in recognition that this is departments' initial attempts at developing meaningful outcomes, indicators and targets.
5. *Results.* These are a presentation of the data collected to measure the department's success in attaining established targets.

6. *Explanatory Notes*. This component is an opportunity for departments to provide context or clarification of data presented in the performance reports.

Detailed Review

The template we used to analyze the performance reports of the five selected County departments provided a series of questions designed to appraise a variety of factors necessary for a system of performance measures to be successful. Key concepts in this appraisal include:

We used a series of questions to analyze the performance reports of five selected departments.

- linkage of departmental statements of purpose (missions) to those of the County as a whole;
- connectivity of information gathered to measure success (indicators) to the desired benefits to customers (outcomes) of the department (i.e., do the indicators measure progress towards the desired outcomes?); and
- reliability and accuracy of the data collected to measure results.

Table 1 shows the cumulative results of our review of five selected County departments' performance reports.

Table 1

Does the department's mission statement:	Yes	No
Relate clearly to Milwaukee County Government's mission/vision statements?	5	0

Outcomes	Yes	No
Can the department influence the outcome in a non-trivial way even though it can't control it?	19	0
Would measurement of the outcome identify program success and pinpoint problems?	19	0
Will the department's various customers accept this as a valid outcome?	19	0
Does the outcome relate to the County's primary goals?	19	0
Does the outcome relate to the departmental goals, objectives, strategies and functions?	19	0
Does the outcome capture a significant aspect of agency operations?	19	0

Indicators	Yes	No	Could Not Determine	N/A
Does it measure the outcome?	40	11	0	0
Is it linked to a specific and critical process in the organization?	40	0	0	11
Is it understood at all levels that participate in evaluating and using the measure?	39	1	0	11
Is it effective in prompting action?	34	1	5	11
Is it credible and can be communicated effectively to internal and external stakeholders?	38	1	1	11
Is it accurate, reliable, valid and verifiable?	32	6	2	11
Is it built on data that are available at reasonable cost, appropriate and timely for the purpose?	37	1	2	11

N/A = Not applicable. If answer to first question in a box is 'No,' the rest of the questions are 'NA.'

Source: Department of Audit analysis of Milwaukee County annual Performance Report (five-department sample).

The greatest opportunity for improvement lies in the linkage between specific indicators and the outcomes they are intended to measure.

As shown in **Table 1**, the five selected departments' performance reports fared very well, in our view, using the analytical template designed to help evaluate the linkages between departmental missions, outcomes and indicators. While we would characterize these five performance reports in general as a good start, we did note the greatest opportunity for improving on this initial effort lies in the linkage between specific indicators and the outcomes they are intended to measure.

For instance, we noted that in some instances, indicators were measuring inputs rather than desired outcomes. Because inputs are frequently easy to measure and often have an intuitive connection to outcomes, there is a tendency to mistake input measures for performance indicators. One example of this is an indicator adopted by the Parks Department. One of the desired outcomes established by the Parks Department is: ***The natural beauty of the Park System's native flora and fauna will be fully represented in a thriving and balanced ecosystem. Recreational activities will be provided that are compatible with the healthy and natural settings.***

In an attempt to measure performance in attaining this outcome, the Parks Department has adopted, as one of three indicators, the following: ***Number of volunteer hours spent in preventive or maintenance efforts.*** While the number of volunteer hours may bear some relationship to the amount of effort committed by the Parks Department towards programs or activities designed to achieve its desired outcome, measurement of this indicator is a tabulation of inputs, not a description of an outcome.

In some instances, measurement of the stated indicator did not appear to have a direct bearing on the outcome.

Another type of problem identified in our review was a different type of linkage problem between the desired outcome and the indicator. In some instances, measurement of the stated indicator did not appear to have a direct bearing on the outcome. That is, attainment or non-attainment of the target would not influence achievement of the outcome. An example of this was

Some data collected for measurement purposes involved subjective judgements of one or more individuals, calling into question the reliability and comparability of the data over time.

found in the Sheriff's Department performance report. One of the desired outcomes identified by the Sheriff's Department is: ***Individuals arrested by law enforcement agencies are accepted into a safe and secure facility and held to facilitate trial by the State Circuit Court System.*** One of three indicators selected by the Sheriff's Department to measure performance in achieving this desired outcome is: ***Number of professional visitors.*** This indicator does not appear to be directly related to the stated outcome. Rather, it represents a measurement of process—exceeding or failing to meet the target (annually 22,000 professional visitors confer with inmates; actual performance in 2001 was 11,890 professional visitors) has no meaning in relation to the outcome.

Further, we found that some data collected for measurement purposes involved subjective judgements of one or more individuals, calling into question the reliability and comparability of the data over time. For instance, the Highway Division of the Department of Public Works identified the following as one of its desired outcomes: ***Citizens of Milwaukee County have a safe, user friendly and aesthetically pleasing roadway system.*** One of two indicators chosen by the Highway Division is: ***Feedback from the motoring public.*** Feedback is obtained by the division in the form of complaints, and a target was established of reducing complaints by 5% in comparison to the prior year.

However, there are no standards established that define a complaint. Since several different staff members receive citizen input in the form of telephone calls, letters and e-mails, discretion is used to determine what constitutes a 'complaint.' Staff indicated, for instance, that complaints regarding traffic delays associated with road repair work would not be counted as a complaint. However, there are no guidelines established to provide consistency in this type of discretionary decision.

Desk Review

The second tier of our audit approach called for a limited desk review of 16 other departmental performance reports not included in our judgement sample of five departments. Given the limited nature of this analysis, we did not attempt to contact department staff for interviews and are not citing specific instances of problems identified. Rather, the purpose of this review was to get a general sense of the County's progress in developing mission statements, outcomes and performance measures.

In general, our desk review indicates that County departments have done a good job of establishing meaningful mission statements that are compatible with Milwaukee County Government's overall mission/vision statements.

In general, our desk review indicates that County departments have done a good job of establishing meaningful mission statements that are compatible with Milwaukee County Government's overall mission/vision statements. Further, departments have done a good job in their initial efforts to identify desired outcomes that they can influence in a meaningful way, and whose measurement can be used to identify program success and to pinpoint problems.

Departments appear to have had more difficulty identifying indicators that truly measure the desired outcomes. Our limited review indicates about one-fifth (21%) of the indicators identified in departmental performance reports may not truly measure performance in achieving the desired outcome. This lack of linkage between outcomes and indicators is not unexpected in the initial stages of implementing a performance-based budgeting strategy and can be improved with ongoing training and accumulated experience of staff, as well as continued commitment from County policy makers.

Section 2: Conclusions and Recommendations

We were impressed with the cumulative effort displayed in the compilation of Milwaukee County's first annual Performance Report.

In general, we were impressed with the cumulative effort displayed in the compilation of Milwaukee County's first annual Performance Report. Departments' individual reports, in general, reflected a sound understanding of the principles articulated in the County's overall strategic planning document, ***Charting the Course***.

However, based on our interviews with staff from the five departments selected for detailed review, we make the following additional observations.

Loss of Momentum

Performance-based budgeting appears to have all but fallen off the agenda for most of the departments we interviewed.

As noted in the **Background** section of this report, Milwaukee County initially embarked on an ambitious schedule for implementing the concepts contained in its adopted strategic planning document, ***Charting the Course***, in September 1999. That schedule called for linking budget allocation decisions to performance beginning with the 2004 budget cycle. However, less than one year away from 2004 budget preparations, performance-based budgeting appears to have all but fallen off the agenda for most of the departments we interviewed.

That strategic planning would assume a lower priority amongst Milwaukee County policy makers and administrators during the past nine months is understandable. The operational impact of significant changes in both political and administrative leadership resulting from the pension controversy, coupled with extreme fiscal pressures from a variety of sources, have virtually stalled efforts to continue the evolutionary implementation of the strategic planning initiative that was in 'full swing' at year-end 2001. Functional groups established to share dialogue between departments in similar service areas have not met this calendar year. Progress on the development of 3-year and 5-year fiscal,

programmatic and capital plans, as well as improved intergovernmental cooperation, also envisioned in ***Charting the Course***, have similarly lost momentum. In effect, the process has been placed 'on hold.'

While the ultimate goal of *Charting the Course* is the development of a framework that permits the establishment of priorities and budget allocation decisions to be based on performance and results, it is clear that we are far from that point today.

Budget Reduction Work Groups were established by the County Board in March 2002 to address potential severe cuts in State shared revenue to municipalities. It is interesting to note that, although some Work Groups obtained information including outcomes and indicators from departments they reviewed, dialogue did not typically center on departmental strategic plans. Had the County progressed further along the schedule of implementation outlined in ***Charting the Course***, the initial blueprints for the process of prioritizing significant budget cuts may already have been outlined. While the ultimate goal of ***Charting the Course*** is the development of a framework that permits the establishment of priorities and budget allocation decisions to be based on performance and results, it is clear that we are far from that point today.

An essential component of the County's strategic planning initiative is the ongoing process of self-assessment, adjustment, and free-flowing communication of organizational missions and outcomes at all levels throughout the organization. This was stressed throughout the County-wide training sessions held in 2000.

If it is the desire of the County Board and the County Executive to fulfill the County's commitment to strategic planning and managing for results as outlined in ***Charting the Course***, we recommend the Department of Administration:

1. *Re-establish a regular dialogue among County departments concerning the development and continuous refinement of desired outcomes and performance measures, including the scheduling of functional group meetings.*

Alternatively, County policy makers should make a conscious decision to discontinue the commitment of any additional resources to a system they are unable or unwilling to sustain.

Reinforcement of Concepts

Discussions with staff also indicate that the conceptual foundation for the establishment of departmental missions, outcomes and indicators is not always clear. Specifically:

Department staff indicate that the conceptual foundation for the establishment of departmental missions, outcomes and indicators is not always clear.

- Staff from four of the five departments reviewed in detail told us that internal departmental work groups had not met since the initial County-wide training effort took place during 2000. A key feature of strategic planning is its ongoing nature, resulting in proactive management rather than reactive crisis management.
- Staff from two departments said that outcomes have not been specifically communicated to line staff. Participation and buy-in from line staff is essential to the success of a managing for results philosophy.
- None of the five departments had written procedures for the proper collection and maintenance of data used to measure performance, although one department's indicators consisted of information prescribed by state regulations or documented in contract language with service providers. One department indicated prior-year data had been thrown away.

Under a proposed re-organization, the position for coordinating the County's strategic planning initiative is placed within the new Department of Administrative Services.

Currently, a Budget Unit Manager in DOA has been assigned responsibility for coordinating the County's strategic planning initiative. The Budget Unit Manager has placed a wealth of information, including each department's mission statements, outcomes and indicators, as well as various training materials, on the County's internal Lotus Notes Bulletin Board under the title *Managing for Results*. Under a proposed re-organization of internal service functions in a new Department of Administrative Services, this position is placed within a function titled 'Fiscal and Strategic Planning.' If the County continues its commitment to strategic planning and managing for results, this is a logical place to coordinate and spearhead continued implementation efforts.

To reinforce the conceptual basis for the establishment of departmental mission statements, outcomes and performance measures among line staff, we recommend the Department of Administration:

2. *Establish in-house 'refresher' training sessions that supplement the County's initial outcomes training and reinforce key concepts essential for successful implementation of **Charting the Course**.*

Audit Scope

The primary objective of the audit was to gauge initial progress in the County's development of performance information. The audit was conducted with standards set forth in the United States General Accounting Office *Government Auditing Standards*, with the exception of the standard related to periodic peer review. It is anticipated that our next peer review will be conducted in 2004. We limited our review to the items specified in this Scope section. During the course of this audit we performed the following tasks.

- Reviewed the Milwaukee County Managing for Results Outcomes Report for 2001, compiled by the Department of Administration.
- Reviewed County documents related to performance measurement dating back to 1997, including a ***Mission, Vision, Guiding Principles and Priority Outcomes*** document and the subsequent ***Charting the Course Milwaukee County's Goals, Strategies, Action 2000—2004*** strategic planning document.
- Interviewed Department of Administration staff responsible for strategic planning.
- Interviewed managers in five selected departments as part of a detailed review of their respective performance reports.
- Reviewed and discussed departments' logic models used to develop mission statements, goals and objectives, and indicators related to performance measurement.
- Conducted a limited desk review of the performance reports of 16 departments/divisions to gain a general sense of overall County progress.
- Reviewed information available on the internet for best practices in performance measurement.
- Reviewed audits of performance measurement from other jurisdictions.

Page Title: Exhibit 2 - Excerpts from **Charting the Course**

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Comments:

This report page is not available in this website copy of the report. If you would like a copy of this page, please contact the Milwaukee County Department of Audit at:

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